

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D. C.

DEPT. OF TRANSPORTATION
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U.S.-CHINA AIR SERVICES

DOCKET OST-99-5539-48

MOTION OF DHL AIRWAYS, INC.,
FOR LEAVE TO FILE
AND COMMENT IN SUPPORT OF THE
APPLICATION OF NORTHWEST AIRLINES, INC.

Communications with respect to this document should be sent to:

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May 7, 1999

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DHL Airways, Inc. ("DHL") moves, to the extent necessary, for leave to file this comment in support of Northwest Airlines, Inc., ("Northwest"), an applicant in this proceeding, and submits that the public interest in the Department's considering the views of all affected parties (not just the applicants) before taking further action, justifies granting this motion.

DHL is a U.S. air carrier engaged in domestic and foreign air transportation of cargo, both by itself and as an air freight forwarder utilizing the services of other carriers. Together with its agent for pick-up and delivery outside the United States, DHL International, DHL provides the popular overseas express delivery service known as DHL Worldwide Express.

By utilizing the services of other carriers, DHL competes with Federal Express Corporation ("FedEx"), another applicant in this proceeding, for U.S.-China Express and Small Package shipments. Within China, DHL's shipments are received and processed for delivery by DHL International companies operating as a joint venture with Sino Trans, a major Chinese cargo carrier. DHL also receives and distributes within the United States DHL Worldwide Express shipments from China.

The new all-cargo services between Chicago and Shanghai (2 in 1999 and 2 more in 2000) proposed by Northwest are well suited in timing and frequency to DHL's needs for growth in its U.S.-China services? The proposed new combination service between Detroit and Shanghai would offer useful additional lift for DHL shipments.²

In contrast, the services proposed by FedEx would utilize all available new frequencies to the exclusion of both Northwest and United and to the exclusion of competing U.S. all-cargo carriers and air freight forwarders such as DHL and United Parcel Service Company ("UPS").³ Thus, an award to FedEx of all the frequencies it requests would necessarily injure competition in U.S. all-cargo air services between the United States and China.

By purchase of Evergreen's all-cargo route rights to China for \$60 million (rather than award in a competitive carrier selection proceeding), FedEx has become the sole U.S. all-cargo carrier with rights to serve China. By virtue of this exclusive position it has obtained a disproportionate share of the U.S.-China all-cargo market. Award to FedEx of all the available new frequencies would

¹For example, between 1994 and 1998 DHL's shipments outbound to China more than doubled. Its shipments to Shanghai in particular grew more than 170%. DHL is thus serving a significant community of U.S.-based shippers engaged in trade with China.

²The San Francisco-Shanghai combination services proposed by United are naturally not intended, and in fact are less well suited, for overnight all-cargo delivery service in the market. Nevertheless DHL would seriously consider utilizing that new lift should it become available.

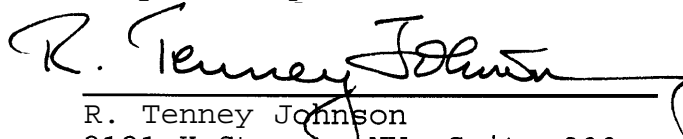
³In the China All-Cargo Route Transfer case, Order 95-8-9, FedEx expressly rejected a request by DHL for a commitment to carry cargo of competing carriers free of anticompetitive restraints such as developing client target lists from its competitors' shipments.

only increase this disproportionate share and lock in Fedex's dominant position to the detriment of all its U.S. all-cargo competitors.

In summary, DHL and other U.S. all-cargo carriers compete with FedEx in the U.S. -China market without actually operating our own aircraft from the U.S. to Asia. DHL relies on carriers like Northwest to provide its aircraft capacity to Asia. Doing so allows it to compete with FedEx (and UPS as well in the U.S.-Japan market) which has the aircraft and operating rights for transpacific services. Expansion of Northwest's services, as proposed in this proceeding, would allow DHL and other U.S. all-cargo carriers (operating as air freight forwarders) to become more effective competitors with FedEx by increasing competing capacity options with better schedules to China. DHL would be able to use both the all-cargo and combination **services proposed by Northwest to improve** and expand its services to its existing and potential U.S.-based shippers and consignees.

For these reasons, particularly to foster a more competitive all-cargo service between the U.S. and China, DHL urges the Department to grant Northwest's application in this proceeding.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "R. Tenney Johnson", is written over a horizontal line.

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May 7, 3.999

CERTIFICATE OF SERVICE

I hereby certify that on May 7, 1999 a copy of the foregoing Motion for leave to File and Comment in Support of Northwest Airlines', Inc., in Docket OST-99-5539 was served by telecopy or first class mail, postage prepaid, upon the persons named on the following service list.


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